

1 **ARIZONA TRANSACTION PRIVILEGE TAX PROCEDURE**

2 **TPP 08-__**

3 Procedure for Reporting of the Car Rental Surcharges

4 **DRAFT (10/23/08): FOR REVIEW AND COMMENT PURPOSES ONLY**

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6
7 **ISSUE**

8 This procedure provides guidance to taxpayers reporting the car rental surcharges imposed under
9 Arizona Revised Statutes (A.R.S.) §§ 48-4234 ("Spring Training Facility Surcharge") and 5-839
10 ("Multipurpose Facility Surcharge").

11
12 **APPLICABLE LAW**

13 A.R.S. § 5-839(A) provides that the qualified electors residing in a tourism and sports authority may
14 levy and, if levied, the department of revenue shall collect a car rental surcharge.

15 A.R.S. § 5-839(B) sets the rate of the surcharge at "[t]hree and one-fourth per cent of the gross
16 proceeds or gross income from the business or two dollars fifty cents on each lease or rental,
17 whichever is more."

18 A.R.S. § 5-839(C) provides that "the surcharge applies to the business of leasing or renting for less
19 than one year motor vehicles for hire without a driver, that are designed to operate on the streets
20 and highways of this state and that are primarily intended to carry not more than fourteen
21 passengers, regardless of whether the vehicle is registered or licensed in this state."

22 A.R.S. § 48-4234(A) provides that the board of directors of a special taxing district may levy, and if
23 levied, the Department of Revenue shall collect a car rental surcharge in order to retain, attract or
24 relocate a major league baseball spring training operation.

25
26 A.R.S. § 48-4234(B) provides that "[t]he board shall set the car rental surcharge...at a rate not to
27 exceed two dollars fifty cents on each lease or rental of a motor vehicle licensed for hire for less
28 than one year and designed to carry fewer than fifteen passengers regardless of whether such
29 vehicle is licensed in this state."

30
31 A.R.S. § 48-4234(I) defines "motor vehicle" as a self-propelled vehicle operated on the streets and
32 highways of this state that is primarily intended to carry passengers and is licensed for hire in the
33 district without a driver.

34 A.R.S. § 48-4234(E) provides that "if a business demonstrates that it is subject to a surcharge
35 imposed by the voters under section 5-839, the business is entitled to a credit against the
36 surcharge imposed pursuant to this section equal to the amount of the surcharge paid pursuant to
37 section 5-839, except that the credit shall not exceed the amount of the surcharge imposed
38 pursuant to this section."

39 **DISCUSSION**

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For Maricopa County car rental companies, reporting car rental surcharges may be confusing, because there are two Arizona statutes (A.R.S. §§ 5-839 & 48-4234) that impose car rental surcharges in this county, and there are two business class codes (53 and 153) that are used to report the surcharges. While a car rental company might assume that one statutory surcharge should be reported under Class Code 53 and the other statutory surcharge reported under Class Code 153, this is not the case. Class Codes 53 and 153 actually pertain to the statutorily required disposition of the monies received from the surcharges.

A.R.S. § 5-839 (“Multipurpose Facility Surcharge”) authorizes the imposition of a car rental surcharge by Maricopa County that is distributed to: (1) the County Stadium District Fund; and (2) the Arizona Office of Tourism and other organizations. This car rental surcharge is imposed either at a rate of 3.25% of the gross income from each lease of a vehicle (that is not excluded by the terms of the statute), or at the flat amount of \$2.50 – whichever amount is more. Therefore, if the lease income is \$100, 3.25% of this amount is \$3.25. If the lease income is \$50.00, because 3.25% of \$50.00 is \$1.63 (less than \$2.50), the alternate \$2.50 surcharge is imposed. This statute requires that \$2.50 of the surcharge attributable to each lease be deposited in the County Stadium District Fund, which is reported under Class Code 53. If the total amount of the surcharge exceeds \$2.50, the remainder of the surcharge is reported under Class Code 153.

A.R.S. § 48-4234 (“Spring Training Facility Surcharge”) authorizes a separate car rental surcharge that is used to fund sports facilities for major league baseball spring training. This car rental surcharge is imposed at a rate of \$2.50 for each lease or rental of a motor vehicle in Maricopa County. This statute *in effect* provides that leases or rentals that are subject to the car rental surcharge imposed by A.R.S. § 5-839 (above), are exempt from this \$2.50 “Spring Training Facility Surcharge.” Because the exemptions from both statutory surcharges are identical, payment of the A.R.S. § 5-839 surcharge exempts car rental companies from paying the A.R.S. § 48-4234 surcharge. A.R.S. § 48-4234 directs that all collections of this surcharge be deposited in the County Stadium District Fund.

Pima County, which also imposes a \$3.50 “Spring Training Facility Surcharge” under A.R.S. § 48-4234, but does not separately impose the “Multipurpose Facility Surcharge” under A.R.S. § 5-839, is required to report this surcharge under Class Code 53.

PROCEDURE

Leases or rentals of motor vehicles in Maricopa County are subject to the “Multipurpose Facility Surcharge” under A.R.S. § 5-839, imposed either at a rate of 3.25% of the gross income from each lease of a vehicle (that is not excluded by the terms of the statute), or at the flat amount of \$2.50 – whichever amount is more. The surcharge should be reported as follows: \$2.50 of the surcharge (which may be a portion of the 3.25% computation or the entire surcharge) is reported under Class Code 53; the remainder of the surcharge (if applicable) is reported under Class Code 153. The

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following information and example should be helpful in understanding the correct reporting of the car rental surcharges for car rental businesses:

1. In Pima County, the \$3.50 "Spring Training Facility Surcharge" is wholly reported under Class Code 53. The "Multipurpose Facility Surcharge" is not imposed in Pima County.
2. In Maricopa County, when the gross income from a car lease or rental (excluding taxes) is \$76.92 or less, the \$2.50 surcharge is wholly reported under Class Code 53. The gross number of leases is reported in Column D on the TPT-1 Return. This number is multiplied by the \$2.50 "tax rate" in Column G, and the result is shown in Column H. The (\$76.92 or less) gross income from the lease is also reported under Class Code 153; and the (\$76.92 or less) gross amount is subsequently taken as a deduction.
3. In Maricopa County, when the gross income from a car lease or rental (excluding taxes) is more than \$76.92, \$2.50 of the 3.25% surcharge amount is reported under Class Code 53. The remainder of the 3.25% surcharge amount is reported on a separate reporting line under Class Code 153. This is accomplished by reporting the gross income from the lease in Column D. A deduction amount of \$76.92 is taken in Column E. (\$76.92 represents the portion of the income to which the \$2.50 surcharge amount applied. $\$2.50 / .0325 = \76.92). The resultant "net taxable income" in Column F, multiplied by the .0325 tax rate in Column G, will equal the remainder of the 3.25% surcharge amount that exceeds the \$2.50 reported in Class Code 53.

Example:

A motor vehicle lessor is subject to the Maricopa County car rental surcharges on all 52 of its leases or rentals. The gross income derived from all 52 leases is \$7,000.

12 out of the 52 leases were 1 day rentals. Total rental fee per vehicle was less than \$76.92.

Total income received for the 12 leases was \$800.

Total income for the rest of the 40 leases (52-12) was \$6,200.

Surcharge Computation:

Maricopa 053 52 x. \$2.50 = **\$130**

Maricopa 153

Total Taxable Income	\$6,200.00
Minus 40 leases x \$76.92	- (\$3,076.80)
Net Taxable Income	\$3,123.20
Tax Rate	0.0325

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Tax Due **\$101.50**

Total Tax Due \$231.50

Reporting on Form TPT-1 as follows:

LINE	(A) BUSINESS DESCRIPTION	(B) REGION CODE	(C) BUSINESS CLASS	(D) GROSS AMOUNT	(E) DEDUCTION AMOUNT	(F) NET TAXABLE AMOUNT	(G) TAX RATE	(H) TOTAL TAX AMOUNT	(I) ACCOUNTING CREDIT RATE	(J) = (F x I)
		MAR	053	52			2.50	130.00		N/A
		MAR	153	6,200	3,076.80	3,123.20	.0325	101.50		N/A

Of the total \$231.50 surcharge paid, \$130.00 will be deposited in the County Stadium District Fund, and \$101.50 will be deposited in the Tourism Revenue Clearing Account.